

Message Text

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INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 EB-11 COME-00 SCI-06 SCEM-02 INT-08 TRSE-00

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FM AMEMBASSY MEXICO

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INFO AMCONSUL CIUDAD JUAREZ

AMCONSUL GUADALAJARA

AMCONSUL HERMOSILLO

AMCONSUL MATAMOROS

AMCONSUL MAZATLAN

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E.O. 11652: N/A

TAGS: ENRG, MX

SUBJ: PRESIDENT ECHEVERRIA APPROVES ENERGY COMMISSION POLICY

PROPOSALS; 5.7 BILLION DOLLAR, THREE-YEAR ENERGY DEVELOPMENT PLAN ANNOUNCED

REF: MEXICO 9392

BEGIN UNCLASSIFIED

1. SUMMARY. AT DEC. 8 MEETING NATIONAL ENERGY COMMISSION ATTENDED BY PRESIDENT ECHEVERRIA, A 71 BILLION PESO (5.7 BILLION DOLLAR) THREE-YEAR PROGRAM FOR THE DEVELOPMENT OF PETROLEUM PRODUCTION, HYDROELECTRIC POWER, NUCLEAR POWER
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PLANTS, GEOTHERMAL FACILITIES, AND STEPPED-UP MINING OF COAL AND URANIUM WAS PRESENTED BY COMMISSION TO PRESIDENT, WHO PRAISED COMMISSION AND ACCEPTED ITS PROPOSALS. PLAN CALLS FOR INVESTMENT OVER NEXT THREE YEARS OF 35 BILLION PESOS (2.8

BILLION DOLLARS) BY PETROLEOS MEXICANOS, 34 BILLION PESOS (2.7 BILLION DOLLARS) BY FEDERAL ELECTRICITY COMMISSION, WITH BALANCE OF ABOUT TWO BILLION PESOS TO BE SPENT BY NATIONAL INSTITUTE OF NUCLEAR ENERGY. SECRETARY OF NATIONAL PATRIMONY CALLED ON ALL MEXICANS TO COOPERATE IN PROGRAM FOR CAREFUL USE OF FUEL AND ELECTRICITY TO PREVENT DEVELOPMENT SHORTAGES WHICH COULD AFFECT ECONOMIC GROWTH. PRESIDENT URGED NATION TO UNITE IN ACHIEVING PERMANENT, LONG-RANGE SOLUTION TO ENERGY PROBLEM. EMBASSY BELIEVES COMMISSION'S ENERGY PLAN IS FURTHER IMPORTANT STEP BY GOM TOWARD SOLUTION ENERGY PROBLEM HERE. END SUMMARY

2. NATIONAL ENERGY COMMISSION, HEADED BY SECRETARY OF NATIONAL PATRIMONY ING. HORACIO FLORES DE LA PENA, HELD EXTRAORDINARY MEETING IN NATIONAL PALACE ON DEC. 8 TO PRESENT THREE-YEAR ENERGY PROGRAM TO PRESIDENT ECHEVERRIA, WHO ATTENDED SESSION. PROGRAM CONCENTRATES ON EARLY ACHIEVEMENT SELF-SUFFICIENCY IN ENERGY FIELD FOR MEXICO, AND ENVISIONS INVESTMENT OF 71 BILLION PESOS (5.7 BILLION DOLLARS) OVER NEXT THREE YEARS. UNDER NEW ENERGY PLAN, WHICH WAS APPROVED BY PRESIDENT ECHEVERRIA AT END OF SESSION, PETROLEOS MEXICANOS (PEMEX, STATE OIL AGENCY) WILL SPEND 35 BILLION PESOS (2.8 BILLION DOLLARS) OVER THE NEXT THREE YEARS, WITH MOST OF THE NEW INVESTMENT GOING TO EXPLORATION AND PRODUCTION (17.5 BILLION PESOS, 1.4 BILLION DOLLARS), TRANSPORT, INCREASE IN REFINERY CAPACITY, AND RESEARCH AND DEVELOPMENT. COMISION FEDERAL DE ELECTRICIDAD (CFE, STATE POWER AGENCY) WILL SPEND 34 BILLION PESOS (2.7 BILLION DOLLARS) OVER NEXT THREE YEARS IN DEVELOPING INCREASED HYDROELECTRIC CAPACITY, INSTALLATION OF NEW NUCLEAR POWER REACTORS, EXPANSION OF GEOTHERMAL POWER FACILITIES, AND INCREASING THERMO-ELECTRIC AND OTHER GENERATING CAPACITY. INSTITUTO NACIONAL DE ENERGIA NUCLEAR (INEN, STATE NUCLEAR ENERGY INSTITUTE), WILL PLAY IMPORTANT ROLE IN DEVELOPMENT URANIUM RESOURCES AND IN NUCLEAR ENERGY MATTERS, AND WILL BE BUDGETED FOR SOME 2 BILLION PESOS OVER NEXT THREE YEARS. IN APPROVING PLAN, PRESIDENT URGED NATION TO COOPERATE IN ACHIEVING PERMANENT, LONG-RANGE SOLUTION TO ENERGY PROBLEM.

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3. IN HIS REMARKS, FLORES DE LA PENA NOTED THAT ABOUT TWO-THIRDS OF THE NEW INVESTMENTS WOULD BE FUNDED BY PEMEX AND CFE FROM REVENUES OBTAINED IN PART FROM RECENT INCREASES IN FUEL PRICES AND ELECTRICITY RATES (MEXICO 9238). NATIONAL PATRIMONY HEAD ALSO SAID THAT PLANNED INCREASES IN SUPPLY WAS ONLY ONE SIDE OF COIN, AND CALLED ON MEXICANS TO ADOPT AUSTERE AND, FOR THE PRESENT AT LEAST, VOLUNTARY MEASURES TO CONSERVE FUEL AND ELECTRICITY IN ORDER THAT SUFFICIENT ENERGY BE AVAILABLE TO MEET THE EVER-GROWING NEEDS OF MEXICAN INDUSTRY AND AGRICULTURE. HE INDICATED AS WELL THAT THE COMMISSION WAS PREPARED TO RECOMMEND CONCRETE MEASURES TO CONTROL CONSUMPTION. "IT IS OUR RESPONSIBILITY AS MEXICANS TO MAKE THE BEST USE OF

ELECTRICITY AND FUEL SO AS TO INSURE NO INTERRUPTION IN OUR ECONOMIC GROWTH," FLORES DE LA PENA NOTED, ADDING THAT " IT IS NOT ENOUGH FOR US MERELY TO PRODUCE MORE, BUT ALSO WE MUST ABSTAIN FROM UNNECESSARY CONSUMPTION IN ORDER TO INSURE THAT THERE WILL BE ENERGY FOR ALL IN THE YEARS AHEAD." SECRETARY PREDICTED THAT MEXICO WOULD REACH SELF-SUFFICIENCY IN CRUDE OIL PRODUCTION AROUND MID-1974. HE NOTED THAT MEXICO HAS COAL RESERVES OF 1.3 BILLION TONS, AND ANNOUNCED THAT RENEWED EFFORTS WOULD BE MADE BY MEXICAN MINING INDUSTRY TO INCREASE COAL PRODUCTION, PARTICULARLY THROUGH OPEN-PIT OPERATIONS. HE PREDICTED IMPORTANT ROLE FOR NON-COKABLE COAL AS ENERGY SOURCE CFE THERMO-ELECTRIC GENERATING FACILITIES IN COMING YEARS. (MEXICO'S ENTIRE PRODUCTION OF COKING-GRADE COAL WILL BE USED TO MEET THE NEEDS OF THE GROWING DOMESTIC STEEL INDUSTRY, HE INDICATED."

4. FLORES DE LA PENA AS WELL AS DR. FERNANDO ALHA ANDRADE, HEAD OF INEN, HIGHLIGHTED THE INCREASINGLY-IMPORTANT ROLE WHICH NUCLEAR POWER WOULD PLAY IN MEETING MEXICO'S FUTURE ENERGY NEEDS. THEY PREDICTED THAT DRAMATIC INCREASES IN URANIUM PRODUCTION WOULD BE SUFFICIENT TO SATISFY THE NEEDS OF THE LAGUNA VERDE NUCLEAR POWER PLANTS AND OF OTHER PLANTS TO BE CONSTRUCTED ELSEWHERE IN MEXICO.

5. ENERGY COMMISSION MEETING GAVE ING. ANTONIO DOVALI JAIME (DIRECTOR OF PEMEX) AND LIC. ARSENIO FARELL CUBILLAS (DIRECTOR OF CFE) WELL-PUBLICIZED OPPORTUNITY TO DEFEND THEMSELVES AGAINST CONSUMER CRITICISM RECENT FUEL PRICE AND ELECTRICITY RATE INCREASES. DOVALI, NOTING THAT DOMESTIC DEMAND FOR PETROLEUM

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PRODUCTS HAS BEEN GROWING AT TEN PERCENT ANNUAL RATE FOR PAST SEVERAL YEARS, STRESSED THAT REVENUE INCREASES HAD MADE IT POSSIBLE FOR PEMEX TO UNDERTAKE, LARGEMLY WITH ITS OWN RESOURCES, NEEDED EXPLORATION, PRODUCTION, AND REFINING PROJECTS NOT ONLY TO MEET GROWING DEMAND FOR OIL AND GAS BUT ALSO TO ELIMINATE COSTLY IMPORTS.

6. FARELL SAID THAT CFE DEVELOPMENT PROGRAM WOULD HAVE AS ITS PRIMARY GOAL MEETING THE INCREASING DEMAND (8 TO 9 PERCENT PER YEAR) FOR ELECTRICITY BY INDUSTRIES AND HOUSEHOLDS, WHILE AT THE SAME TIME DECREASING DEPENDENCE ON PETROLEUM PRODUCTS AS A SOURCE OF FUEL. THE CFE PLAN WILL CONCENTRATE ON HYDRO-ELECTRIC PROJECTS, NUCLEAR ENERGY, AND GEOTHERMAL ENERGY, HE INDICATED.

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INFO AMC NSUL CIUDAD JUAREZ

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7. COMMENTS: (1) OF GREAT INTEREST TO OBSERVERS HERE WILL BE EXTENT, IF ANY, TO WHICH ENERGY DEVELOPMENT PLAN WILL INVOLVE THE USE OF FUNDS NOT ALREADY INCLUDED IN 1974 "NON-INFLATIONARY" BUDGET (MEXICO 9362). DURING COURSE PREPARATION 1974 BUDGET ANALYSIS NOW UNDERWAY BY EMBASSY IT IS HOPED THIS INFORMATION CAN BE OBTAINED; (2) FLORES DE LA PENA REMARKS WERE NOTABLY STRAIGHTFORWARD AND NON-IDEOLOGICAL IN TONE; HOWEVER, EMBASSY DOUBTS HIS CLAIM THAT MEXICO WILL BE SELF-SUFFICIENT IN CRUDE PRODUCTION AROUND MID-YEAR. FEELING IN THIS REGARD BY THOSE FAMILIAR WITH PEMEX SITUATION IS THAT EARLY 1975 IS MORE REASONABLE TIME SPAN FOR PEMEX TO ACHIEVE SELF-SUFFICIENCY; (3) EMBASSY FEELS THAT, IN GENERAL, COMMISSION'S PLAN IS FURTHER IMPORTANT STEP BY GOM TOWARD MEETING ENERGY PROBLEM HERE.

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